

INSTITUTIONAL DETERMINANTS OF MULTINATIONAL CORPORATIONS' ENTRY MODE CHOICE IN TURKEY

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ABSTRACT

There are a wide range of factors that affect multinational corporations (MNCs) when they decide how to enter into a new market. In this study, the factors that shape MNCs' entry mode decisions are investigated in institutional economics framework. Two different theories on institutions, namely Institutional Theory and New Institutional Economics, are utilized. Using 2293 entries into Turkey, we found that investment freedom, intellectual property rights protection and corruption have significant effects on the entry mode choice of MNCs in the institutional economics context. Besides, real GDP, real capital investment, and knowledge intensity of the sector are other factors that shape MNCs' entry mode decision.

Keywords: Multinational corporations, foreign capital investment, institutional factors, market entry mode decisions

JEL Codes: E22, F21, M13, M21

ÇOK ULUSLU ŞİRKETLERİN TÜRKİYE'DEKİ PAZARA GİRİŞ ŞEKLİ SEÇİMİNİ BELİRLEYEN KURUMSAL UNSURLAR

Öz

Yeni bir pazara girme şekline karar verirken çok uluslu şirketleri etkileyen bir çok faktör bulunmaktadır. Bu çalışmada kurumsal ekonomi bağlamında, çok uluslu şirketlerin pazara giriş şeklini belirleyen faktörler araştırılmaktadır. Bu çalışmada iki farklı kurumsal ekonomi teorisi, Kurumsal Teori ve Yeni Kurumsal Ekonomi değerlendirilmiştir. Türkiye'de gerçekleşen 2293 adet pazara giriş incelenerek kurumsal ekonomi çerçevesinde, yatırım özgürlüğü, fikri mülkiyet haklarının korunması ve yozlaşmanın çok uluslu şirketlerin pazara giriş şekli seçimi üzerinde anlamlı etkisi olduğu bulunmuştur. Ayrıca reel gayri safi yurtiçi hasıla, reel sermaye yatırımı, ve sektörel bilgi yoğunluğunun çok uluslu şirketlerin pazara giriş şekli kararını şekillendiren diğer faktörler olduğu tespit edilmiştir.

Anahtar Kelimeler: Çok uluslu şirketler, yabancı sermaye yatırımı, kurumsal faktörler, pazara giriş şekli

JEL Kodu: E22, F21, M13, M21

I) INTRODUCTION

The entry mode of Multinational Corporations (MNCs) into a new country is a phenomenon that attracts many scholars recently. MNCs' decisions on entry mode are analyzed in many empirical and theoretical studies. A review of the theoretical models is given in

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Canabal and White III (2008). Canabal and White III (2008) determined 12 main approaches in this area of study for a time period of 26 years i.e. 1980-2006.

In recent studies on entry mode choice of MNCs, institutions started to play a central role. For example; Henisz and Delios (2001), Bevan, Estrin, and Meyer (2004) and Grosse and Trevino (2005) studied the relationship between the institutions and location decisions. Also, Lu (2002), Yiu and Makino (2002), Chan and Makino (2007) and Dikova and Van Witteloostuijn (2007) investigated ownership decisions in relation to institutional framework. The decision of MNCs goes beyond to the decision of “enter” or “do not enter”. Actually, it is evolved from the question of “whether to enter into a country or not” to “how to enter into a country”. This question is investigated by means of two main theories in the context of institutions. The first theory which is named as “institutional theory” tries to uncover the affects of sociological norms and values on MNCs’ decision process. The focus of the institutional theory is internal and external legitimacy of the origin of MNCs (Kostova and Roth, 2002). The second theory which is called “new institutional economics”, on the other hand, gives utmost importance to the transaction costs that are related to entry strategies. New institutional economics uncovers the differences between host and guest countries’ institutional developments and derives conclusions on the efficiency of MNCs’ entry decisions (Delios and Henisz, 2000).

This paper contributes to the contemporary literature of entry mode decisions of MNCs in three dimensions. First of all, as far as we know, there is no empirical study that combines institutional theory and new institutional economics theory. In this paper, we try to unite both theories in the same empirical set-up. Secondly, there are not many works that target developing countries. In this paper, we focus on Turkey which is an important emerging economy. Thirdly, analysis that focus on the entry mode literature are mostly snapshots of a specific year. On the other hand in this paper, we introduce an empirical framework that covers an eight year time span.

II. THEORETICAL BUILDING BLOCKS AND LITERATURE

A) INSTITUTIONAL THEORY

Institutional theory deals with entry mode choice of MNCs utilizing a sociological approach. The main argument of this theory is that organizations conform to the institutional environment (such as institutional values and norms) so that they increase their legitimacy in the perspective of other institutional bodies. According to this theory; while MNCs make the decision of a joint venture (JV) or a wholly owned subsidiary (WOS) in a foreign country, they take social acceptance into account seriously. Social acceptance gives rise to benefits like isomorphism and homogeneity among organizations (DiMaggio and Powell, 1983).

Usually, institutional theory divides institutional environment into three domains and categorizes as regulatory, cognitive, and normative pillars (Scott, 1995). Regulatory pillar is related to what organizations and individuals may or may not do; cognitive pillar covers what organizations and individuals can or cannot do; and normative pillar determines what organizations and individuals should or should not do (Eden and Miller, 2004).

The rules and laws which are created by regulatory agencies form *regulatory domain*. Organizations adapt themselves to these rules to gain social acceptance. Also, Zaheer (1995) points out that foreign organizations are treated discriminatorily by the governments and other institutional bodies in the host country. Thus, MNCs are forced to pay special attention to the legitimacy problem within the regulatory domain. MNCs can deal with this problem forming joint ventures and decrease the risk of negative discrimination. Yiu and Makino (2002) bring out two main explanations to this situation. First explanation argues that including a partner in the overseas subsidiary is a factor that eases the regulatory pressure levied on the foreign entrant. Secondly, MNCs can make use of the knowledge of a local partner to accomplish with the government requirements and rules.

Taken for granted rules and norms establish *normative domain* of institutional theory. Rules and norms that define appropriate and acceptable forms of behavior are accepted by organizations without conscious thought. If the differences of these rules and norms between home country of MNCs and host country are too much, this fact decreases legitimacy of MNCs in the host country. Thus, the likelihood of discriminatory treatment of host country's institutions towards MNCs increases (Xu and Shenkar, 2002). In such a case, MNCs prefer to choose the entry mode as joint venture (Xu et al., 2004). The choice of joint venture equips MNC with some type of local identity. Also, MNC's domestic partner can help to the organization so that it satisfies expectations quickly.

Organizations and individuals view and make sense of the situations through mental filters and these mental filters create *cognitive domain*. Cognitive pillar shapes the way in which things are perceived and judged. Actually, it provides homogeneity among organizations (Scott, 1995). New organizations are usually built upon old ones and alternative changes that conflict with old institutional framework are singled out. In the case of MNCs' entry mode decisions, new foreign entrants mimic the old ones mainly for three reasons. First of all, entering a developing country is especially risky and MNCs find comfortable to follow the behavior of earlier entrants. Secondly, the pattern of previous entries creates cognitive filters and mental programs for the new comers, so new entrants' thinking and planning are strongly limited (Simon, 1976). This situation is called imprinting. Thirdly, new entrants are perceived like the past entrants even though they are not using the same entry decisions. This obstacle pushes new entrants to use past strategies to solve legitimization problem (Yiu and Makino, 2002). MNCs' imitative behavior can be classified into three categories. Haunschild and Miner (1997) summarize these categories as *frequency imitation*, *trait imitation*, and *outcome imitation*. Frequency imitation is copying the most common practices. Trait imitation, on the other hand, is selectively mimicking certain firms based on their strategies. Lastly, outcome imitation is exactly following the past practices and decisions based on their past results. In this paper, we will be utilizing trait imitation because of the data limitations. We evaluate trait imitation in two ways. First, organizations tend to make the entry mode decisions evaluating the previous entrants' strategies in the same sector. Alternatively as a second option, they may choose a strategy by evaluating the previous entrants' decisions on the basis of country of origin i.e. MNCs consider only the strategies of previous entrants that have the same country of origin with them.

B) NEW INSTITUTIONAL ECONOMICS

Institutional theory focuses on the legitimization process of market entry. On the other hand, new institutional economics aims at the efficient market entry. In this theory, the institutional framework of an economy establishes risks that are related to operations, transaction costs, and information availability. New institutional economics is very similar to the transaction cost economics in the way it minimizes transaction costs except the units of analysis in these theories are different (Williamson, 1985).

In this paper, we included mainly three institutional concepts from new institutional economics, because of the data limitations. These concepts are *stability* (both economic and political), *intellectual property rights protection*, and *corruption*.

The effects of *political and economic stability* on MNCs' entry mode decision were analyzed by Delios and Henisz (2000). The more political and economic stability increase, the more MNCs prefer whole owned subsidiary over joint venture as a form of entry mode. The logic behind this fact is firms' strategy to decrease the exposure to risks that are related to economic and political instability. In instable host countries, MNCs tend to take local partners since this reduces risks and makes easier for them to exit the market when times are bad.

The success of MNCs in developing countries depends also strongly on the *intellectual property rights protection* condition of the host country. If MNCs do not encounter a host environment that provides efficient protection of intellectual property rights, they tend not to transfer their knowledge and experience to overseas. The reason for such behavior stems from their fear to lose long term competitive advantage that is strongly related to knowledge and experience. In parallel with this reasoning, Oxley (1999) pointed out that in the case where intellectual property rights controls are weak; US companies prefer to establish joint ventures over contractual agreements. Similarly in our case, they choose whole owned subsidiaries over joint ventures to increase monitoring and controlling capabilities on the competitive-advantage generating knowledge.

Corruption is defined as the abuse of regulatory power to gain personal benefits at the expense of public and private welfare. Actually, corruption plays the role of an entry barrier for the foreign direct investment. Moreover, MNCs' entry mode decisions are shaped by the level of the corruption in the host country. Creating partnerships with domestic organizations make easier for MNCs to reduce costs of local permits and licenses. Uhlenbruck et al. (2006) argues that MNCs choose joint venture where the corruption level is very high and regulations and rules of the host country are arbitrary. Using relative differences in corruption levels between host country and MNC's country of origin, Cuervo-Cazurra (2006) shows that MNCs from home countries with high level of corruption tend to enter to the host countries with high level of corruption. Using this argument, we utilized relative differences instead of absolute corruption levels in this paper. We tried to uncover the relationship between the entry mode choice of MNCs and the difference in the corruption levels of home and host countries. It is expected a priori if the home and host countries have similar corruption levels, MNCs tend to choose whole owned subsidiaries as the entry mode.

C) DATA SET AND METHODOLOGY

In this study, we mainly used the database of International Investors Association of Turkey. This database contains 9,755 foreign entries into Turkey between the years of 1954-2003. Even though this database covers a wide time interval, we are forced to utilize a small part of it which contains data between the years 1996-2003, since complementary data sets do not cover such a wide range. Also, we discarded instances of entries that have a capital investment less than \$100,000 (adjusted to 2012 prices), since MNCs apply strategic decision procedures to investments which requires significant amount of capital expenditure. But, the lower bound of this amount does not have a solid theoretical background, so we have chosen it rather arbitrarily. Our final sample contains 2,293 entries into Turkey from 46 different countries.

The secondary data sets from which we get institutional and macroeconomic variables are Index of Economic Freedom published by Heritage Foundation, Economic Freedom of the World Index and EVDS system of Central Bank of the Republic of Turkey. For the time lag between MNCs' decision of entry strategy and realization of this strategy, we allowed one year lag i.e. MNCs make decisions of how to enter into Turkey approximately one year before the realization; in other words, they enter into Turkey in the next year following their decisions.

1. Dependent Variable

In this study, we used the mode of entry (Entry_M) as the dependent variable which is dichotomous. Actually, entry mode can be either whole owned subsidiary (WOS) or joint venture (JV). To distinguish WOS from JV, the data (country of origin and percentage of ownership) in the database of International Investors Association of Turkey is utilized. In the literature, WOS is differentiated from JV with ownership thresholds ranged from 80% (Makino and Beamish, 1998) to 95% (Hennart, 1991). The threshold level which is used in this paper is the average of the two extremes i.e. it is 90%. If the foreign firm holds 90% of the new firm's

equity or more, it is classified as a WOS entry. On the other hand, if the foreign firm owns 10%-89% of the equity with a Turkish partner, it is considered as JV. The partnerships between foreign firms that do not include a Turkish firm were discarded from our data set.

2. Independent Variables

The first independent variable in this work is related to “regulatory institutions” (Reg_Inst). It mainly shows how much equal foreign firms are treated by formal authorities. We have generated the variable “regulatory institutions” from Heritage Foundation’s Index of Economic Freedom. We actually utilized the Investment Freedom index which is one of the ten sub-indices of Heritage Foundation’s Index of Economic Freedom on a 0-100 scale. If the value of the variable “regulatory institutions” goes higher, the foreign investors are treated fairer in the host country according to this index.

“The normative distance” (Norm_Dist) is another variable that we used in this study. It measures the cultural distance between the country of origin of the foreign partner and Turkey. Cultural distance shows the differences in normative perception and belief structures thus it is an important part of institutional framework which establishes the backbone of our paper. We calculated cultural distance applying the index methodology of Kogut and Singh (1988) to Hofstede’s cultural dimensions (1980). Mathematically, $Norm_Dist_j = \sum \{(I_{ij} - I_{it})^2 / V_i\} / 4$, where $Norm_Dist_j$ is the normative distance between home country j and Turkey, I_{ij} is the index of the i^{th} cultural dimension and the j^{th} country, t represents Turkey and V_i is the variance of the index of the i^{th} dimension.

The two other variables in this study based on “cognitive institutions”. As mentioned in the text above, we focused on the trait-based imitation for foreign entrants’ choices. Chan and Makino (2007) underlines that trait based imitation can be assessed in two ways. First of all, current entrants can imitate previous entrants’ choices from the same home country. We call this variable as imitation from the same home country (Imit_H). Secondly, focal entrants can mimic the entry strategy of earlier entrants from the same sector. This variable is named as imitation from the same sector (Imit_S). Imitation from the home country (Imit_H) and imitation from the same sector (Imit_S) variables are calculated as percentages for WOS and JV according to the previous entrants’ decisions i.e. $x\%$ of entry mode decisions were made as WOS and $(100-x)\%$ made as JV. From percentages, we determined dominant modes of entry for Imit_H and Imit_S.

“Instability” (Instab) of the host country is an utmost important factor that shapes the entry mode decisions of MNCs. To cope with this issue, we developed an instability index which consists of two separate indices: economic instability index and political instability index. Economic instability index is developed by means of human development index methodology of UNDP. 4 indicators of instability are included into the macroeconomic instability index: (1) change in exchange rates, (2) external debt/GNP ratio, (3) public deficit/ GNP ratio and (4) inflation rate. To standardize these indicators, we used $I_t = (X_t - X_{Min}) / (X_{Max} - X_{Min})$ standardization procedure, where I_t refers to the index value of variable X in year t , X_t refers to the value of indicator X in year t , and X_{Min} (X_{Max}) refers to the minimum (maximum) value of indicator X over the period. After standardization, we have taken the average of the four indices and created a macroeconomic instability index within the scale of 0-1 where 0 shows minimum macroeconomic instability and 1 shows maximum macroeconomic instability. In the case of political instability, we utilized political hazard index of Henisz (2000). This index measures the probability of a change in main government bodies. This index is also on a 0-1 scale, where 0 shows minimum political risk/instability and 1 shows maximum political risk/instability. Lastly, we have taken the average of macroeconomic instability and political instability indices and converted it to 0-100 scale and named our new index as instability index (Instab).

For “intellectual property rights protection” (Intel_Prop) variable, the index for intellectual property rights protection from Economic Freedom of the World Index is used with

a scale of 0 (minimum protection)-5 (maximum protection). Also, the data for “corruption” (Corrupt) is gathered from Index of Economic Freedom which is based mainly on Transparency International’s Corruption Perceptions Index. This index is on a scale of 0-100, where 0 shows lowest level of corruption in the host country and 100 indicates the highest level of corruption.

To cope with the “knowledge intensity” variable, we made use of 3-digit SIC code in the database of International Investors Association of Turkey for foreign direct investment entries. Following the categorization of Lee and Has (1996), we classified foreign direct investment entries as entries into (a) high knowledge intensive sectors (H_Know) (b) medium knowledge intensive sectors (M_Know) (c) low knowledge intensive sectors (L_Know).

We used also one additional variable to measure the market size. Natural logarithm of real GDP (Ln(RGDP)) is used as a proxy for this purpose. Moreover, logarithm of real capital investment (Ln(RCapInv)) is utilized to determine the effects of the investment size on entry mode choice.

3. Methodology

In this study, we used binomial logit model, since our dependent variable is categorical and dichotomous. Maximum likelihood estimation procedure is used as estimation procedure. In a binomial logit model, the logistic transformation equation is used as a link function:

$$\text{logit}(p_i) = \log \left(\frac{p_i}{1-p_i} \right) \quad (1)$$

, where p_i is the probability of desired outcome.

The desired outcome p_i for a binary dependent variable $Y \in \{0,1\}$ with a vector \vec{X} of explanatory variables is expressed as $p_i = P(Y = 1|\vec{X}) = 1 - P(Y = 0|\vec{X})$ and calculated by;

$$P(y_i = 1|\vec{x}_i) = \frac{e^{\vec{x}_i \vec{\beta}}}{1 + e^{\vec{x}_i \vec{\beta}}} \quad (2)$$

In our study, we assigned 1 to WOS (which is desired outcome) and 0 to JV.

III. RESULTS

Descriptive statistics are given in Table 1. In addition, correlation coefficients are shown in Table 2. Correlations between variables are mostly significant, but they are quite low.

Table 3 shows the result of logistic regression analysis, when JV is chosen as reference mode i.e. 0 is assigned to JV and 1 is assigned to WOS for entry mode (Entry_M). The estimates reflect the MNCs’ likelihood of choosing WOS over JV, when they make strategic decisions on entry mode. The model is generally a good fit with a significant χ^2 at $p < 0.001$.

Ln(RGDP) is the variable which we used as a proxy for market size. Its coefficient is significant and positive in our analysis. As the market size increases, the foreign entrants prefer to have more control and equity in the partnership. The amount of real capital investment (Ln(RCapInv)) also affects the entry mode decision of MNC. Ln(RCapInv) shows a significant and positive effect on the entry mode. For higher level real capital investments, the likelihood of WOS as the entry mode choice increases. Actually, this fact is expected a priori. If the amount which is invested in a new company in the host country increases, it is natural for a MNC to demand more stake in the ownership by means of WOS as the entry mode choice. Entry mode decision has no relationship with low knowledge intensity (L_Know) of a sector. On the other hand, MNC’s entry choice is shaped by the medium level (M_Know) and higher level knowledge (H_Know) intensities of the sectors. As more and more knowledge intensive sectors are chosen by MNCs for investment, the likelihood of WOS as the entry mode increases compared to JV. In other words, MNCs that are willing to operate in medium and high level knowledge intensive sectors prefer to have as much control as possible.

We have also made use of some variables that are based on institutional theory. One of these variables is regulatory institutions (Reg_Inst). Regulatory institutions are an important part of institutional theory. This variable measures how well foreign firms are treated by formal authorities. Actually, it indicates the investment freedom in the host country. In our study, MNCs' likelihood of WOS as the entry mode increases as the investment freedom increases i.e. the coefficient of Reg_Inst is significant and positive. The impact of normative/cultural distance (Norm_Dist) is also analyzed in the context of institutional theory. However, cultural distance has no considerable effect on the entry mode choice in our study. The last variables we discussed in the context of institutional theory are related to the imitative behavior of MNCs. For imitative behavior, home dominance (Imit_H) and sector dominance (Imit_S) are utilized. MNCs do not seem to imitate previous entries from their home countries i.e. the coefficient of Imit_H is insignificant. Also, the insignificance of variable Imit_S points out that MNCs do not incline to follow previous dominant entry decisions in the same sector.

For the part of new institutional economics, we assessed the effects of three variables on MNCs' entry mode choice. First of all, intellectual property rights protection (Intel_Prop) is evaluated. Our model shows that MNCs prefer JV over WOS when intellectual property rights protection increases in the host country. This finding supports our prior reasoning. MNCs tend to choose whole owned subsidiaries over joint ventures as the entry mode to increase monitoring and controlling capabilities where intellectual property rights protection is weak. A second variable in our study that helps us to go further in new institutional economics' framework is instability (Instab). Instability variable has an insignificant coefficient in our model. Thus we conclude that it has no considerable impact on entry mode decision in our model. The last variable which takes its roots from new institutional economics is corruption (Corrupt) which is measured as the difference between home and host countries i.e. it is a relative measure. In our analysis, when the difference in corruption levels between home and host countries increases, MNCs tend to prefer WOS over JV so that their control on the strategic partnership increases. But, this finding is contrary to what we have rationalized beforehand in this study. The problem stems from our sample, since many foreign entries into Turkey are from less corrupt countries. This fact intensifies MNCs' tendency to take full control in decision processes to provide internal consistency.

Table 4 shows marginal effects at mean values. For discrete variables, dy/dx is calculated for the change from 0 to 1. The marginal effects also support our previous findings.

IV. CONCLUSION

In this paper, we tried to investigate the relationship between the institutional factors and MNCs' entry mode choices in Turkey. Regulatory institutions/investment freedom in the host country, intellectual property rights, and corruption were found to have significant impacts on the entry mode choice of foreign entrants. As investment freedom in Turkey increases, MNCs tend to enter to Turkish market as whole owned subsidiaries. On the other hand, MNCs are inclined to prefer joint venture as the entry mode, when intellectual property rights protection increases. For the case of corruption, our analysis has shown that as the difference in corruption levels between home and host countries increases, MNCs tend to prefer WOS over JV. The rationale behind this fact seems to be MNCs' willingness to have more control on the strategic partnership and provide internal consistency.

In addition to variables that take roots from institutional theory and new institutional economics, we also included control variables into our model. Natural logarithm of real GDP (Ln(RGDP)) variable, natural logarithm of real capital investment (Ln(RCapInv)) variable, medium knowledge intensive sector (M_Know) dummy, and high knowledge intensive sector (H_Know) dummy were found to be statistically significant among control variables. When the market size (approximated by means of Ln(RGDP)) or real capital investment (Ln(RCapInv))

increases, MNCs' likelihood of choosing WOS as the entry mode increases. Also, MNCs are inclined to prefer WOS as the entry mode when they plan to enter into medium and high knowledge intensive sectors.

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Table 1. Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
Entry_M	0	1	.31	.462
Ln(RGDP)	11.4916	11.6851	11.614926	.0594347
Ln(RCapInv)	3.9125	14.6240	5.601669	1.7617513
L_Know	0	1	.61	.488
M_Know	0	1	.14	.352
H_Know	0	1	.06	.246
Reg_Inst	50	70	69.28	3.715
Norm_Dist	.0516	3.9615	1.515324	.9180938
Imit_H	0	1	.25	.432
Imit_S	0	1	.19	.394
Intel_Prop	2.8431	4.2500	3.738074	.4646033
Instab	37.1654	62.9887	48.401554	7.0112697
Corrupt	0	80	43.63	23.177

Table 2. Correlation Matrix

	Entry_M	Ln(RGDP)	Ln(RCapInv)	L_Know	M_Know	H_Know
Entry_M	1					
Ln(RGDP)	0.015	1				
Ln(RCapInv)	.088**	-.086**	1			
L_Know	-0.024	-.063**	-0.031	1		
M_Know	.058**	.062**	.117**	-.514**	1	
H_Know	.043*	0.024	0.027	-.328**	-.108**	1
Reg_Inst	.052*	-.223**	.073**	-0.039	0.019	0.022
Norm_Dist	.085**	.062**	.068**	-.043*	.067**	.062**
Imit_H	0.02	-.121**	.055**	-0.026	0.022	.071**
Imit_S	0.023	-.150**	.097**	-.167**	.134**	.192**
Intel_Prop	-0.025	-.477**	.182**	-0.037	0.008	0.004
Instab	0.019	.095**	-.127**	.103**	-.084**	-.059**
Corrupt	.097**	-.373**	.183**	-0.031	.063**	.077**

Table 2. Correlation Matrix (Continues)

	Reg_Inst	Norm_Dist	Imit_H	Imit_S	Intel_Prop	Instab	Corrupt
Entry_M							
Ln(RGDP)							
Ln(RCapInv)							
L_Know							
M_Know							
H_Know							
Reg_Inst	1						
Norm_Dist	0.009	1					
Imit_H	.051*	.190**	1				
Imit_S	.058**	.059**	.090**	1			
Intel_Prop	.306**	-0.04	.114**	.136**	1		
Instab	-.149**	0.003	-.079**	-.131**	-.614**	1	
Corrupt	.075**	.491**	.216**	.130**	.284**	-.112**	1

Notes: * Correlation is significant at the 0.05 level ** Correlation is significant at the 0.01 level

Table 3. Logit Model Result

Variable	Coefficient	Std. Error	z-Statistic
C	-24.04449*	12.41358	-1.93695
Ln(RGDP)	1.699366*	1.024648	1.658487
Ln(RCapInv)	0.08751***	0.025952	3.372028

L_Know	0.149606	0.128181	1.167145
M_Know	0.378063**	0.163945	2.306031
H_Know	0.423669**	0.209465	2.022624
Reg_Inst	0.044869***	0.015137	2.964084
Norm_Dist	0.051256	0.060698	0.844443
Imit_H	-0.017875	0.109034	-0.163936
Imit_S	0.00853	0.121667	0.070113
Intel_Prop	-0.274363*	0.153672	-1.785379
Instab	0.004585	0.008712	0.526294
Corrupt	0.00983***	0.002814	3.493724
Model chi square	66.07351	Sum squared resid	476.0734
Probability of chi square	0	Log likelihood	-1384.289
Count R square	0.692	Akaike info criterion	1.218743

Notes: Dependent Variable is Entry Mode (Entry_M) and JV=0, WOS=1.

*p<0.10, **p<0.05, ***p<0.01

N=2293

Table 4. Marginal Effects

Variable	dy/dx	Std. Error	z-Statistic	X (at means)
Ln(RGDP)	0.3587248*	0.2161	1.66	11.6149
Ln(RCapInv)	0.0184728***	0.00547	3.38	5.60167
L_Know	0.0313686	0.02668	1.18	0.609246
M_Know	0.0836587**	0.03773	2.22	0.144788
H_Know	0.0952298*	0.04951	1.92	0.064544
Reg_Inst	0.0094715***	0.00319	2.97	69.2848
Norm_Dist	0.0108197	0.01281	0.84	1.51532
Imit_H	-0.0037665	0.02293	-0.16	0.248147
Imit_S	0.0018026	0.02574	0.07	0.191452
Intel_Prop	-0.0579162*	0.03242	-1.79	3.73807
Instab	0.0009679	0.00184	0.53	48.4016
Corrupt	0.0020751***	0.00059	3.51	43.6302

Notes: Dependent Variable is Entry Mode (Entry_M) and JV=0, WOS=1.

*p<0.10, **p<0.05, ***p<0.01